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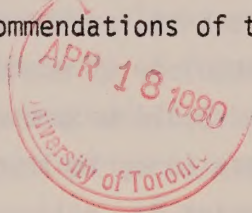
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TORONTO, April 9, 1980 -- A study of provincial land use policy, released today by the Ontario Economic Council, says "that there is little factual basis for the cataclysmic rhetoric which has sometimes characterized recent discussions of the agricultural land issue."

"The data on land conversion indicate clearly that in the aggregate the rate of conversion of agricultural land to built-up urban use is low in relation to the rate of productivity increase in agriculture, the stock of agricultural land, and the decrease in acreage of census farms," say Professors M.W. Frankena and D.T. Scheffman, authors of Economic Analysis of Provincial Land Use Policies in Ontario.

The 171-page study describes and analyses the provincial government's role in municipal and regional planning and discusses the issues surrounding land use policy in Ontario including the conversion of farmland to urban and other uses, and the recommendations of the Planning Act Review Committee.



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Frankena and Scheffman label as "naive" provincial policy guidelines such as those of the Green Paper on Planning for Agriculture which seek to preserve all better agricultural land for present and future agricultural use. "There is no reason to believe," they maintain, "that the total supply of (prime) agricultural land and unique soils corresponds in any particular way to the socially optimal amount of land which should be preserved for agriculture."

Secondly, they point out that such policies "ignore the fact that the opportunity cost (value in non-farm use) per acre of preserving different parcels of land varies." For example, they suggest that while location (especially in southern Ontario) is of no significant concern for most agricultural uses, location is "a principal determinant of the value of different parcels of land for non-farm use."

The study is particularly critical of the government's failure to recognize the contribution which economic analysis and particularly cost-benefit studies, can make to the formulation of land use policy. "In the literature on provincial land use policy," it argues, "economic analysis has been displaced almost entirely by the conventional wisdom of planners."

"The essential weakness of the conventional wisdom of the planning profession is that it advocates the pursuit of a particular set of goals without concern for the opportunity costs. For example, a typical planning document will recommend that all land with a high capability for agriculture should be preserved for agricultural use. Planners seem to find the validity of such statements to be self-evident, although common sense and the methodology of economics suggest that whether a particular parcel of land should be preserved for agriculture depends on the social value of its use in agriculture compared to the social value of its use for other purposes."

In their review of the municipal development process in Ontario the authors concur with the Planning Act Review Committee and other commentators that government regulation of municipal development requires simplification and, in particular that municipalities be granted more autonomy in the development process. "The current system," they contend, "obscures both political accountability for development decisions and the criteria by which the appropriateness of local decisions is judged, and it also increases the uncertainties and complexities, and therefore the costs of the development process."

Frankena and Scheffman however object to recommendations that development standards should be uniform across the province and that municipalities should be severely limited in their powers to 'sell' development rights to developers and to use fiscal zoning. These recommendations, they say, "neglect the importance of the efficiency of resource allocation as an issue of provincial concern, over-emphasizing the (legitimate) provincial concern with equity. In policy formulation both equity and efficiency implications of proposed actions must be considered."

In their analysis of provincial involvement in regional planning, the authors' findings indicate that, on economic grounds, the case for government intervention is uncertain. "What is clear," they say, "is that the rationale provided in the Design for Development documents for provincial intervention does not give the slightest evidence that such intervention would increase the efficiency of resource allocation. The idea that the size and spatial distribution of urban areas should be determined simply to minimize the cost of certain public services such as waste disposal, to minimize congestion, or to create 'identifiable communities,' etc., is absurd since this completely neglects opportunity costs."

This study was prepared under the auspices of the Ontario Economic Council, established in 1962 as an independent public policy institute. The Council undertakes research and policy studies to encourage the optimum development of the human and material resources of Ontario and to support the advancement of all the sectors of the Province. The Council achieves these goals by sponsorship of research projects, publication of studies, and organization of the Outlook and Issues and other special conferences and seminars which are open to the public.

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NOTE: A list of persons to contact for further information, and a selection of quotations from the paper are attached.

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AUTHOR'S BIOGRAPHICAL SKETCHES

Dr. Mark W. Frankena is an Associate Professor of Economics at the University of Western Ontario. He received his Ph.D. in Economics from the Massachusetts Institute of Technology. Dr. Frankena is the author of Urban Transportation Economics as well as several scholarly articles.

Dr. David T. Scheffman is an Associate Professor of Economics at the University of Western Ontario, currently on leave at the Bureau of Economics, Federal Trade Commission in Washington, D.C. He received his Ph.D. in Economics from the Massachusetts Institute of Technology. Dr. Scheffman is the author of many scholarly articles and books including Speculation and Monopoly in Urban Development (with J. Markusen) prepared for the Ontario Economic Council in 1977.

ECONOMIC ANALYSIS OF PROVINCIAL LAND USE POLICIES IN ONTARIO (171 pages) is published by the University of Toronto Press, 5201 Dufferin St., Downsview, Ontario M3H 5T8, or 33 East Tupper St., Buffalo, New York 14203.

Also available from the Ontario Government Bookstore, 880 Bay Street, Toronto, Ontario M7A 1N8. Price: \$7.50.

SELECTED QUOTATIONS

"We have defined the principal potential sources of market failure (market power, externalities, public goods, uncertainty, and distortionary government policies) and evaluated the case for provincial intervention. Our basic conclusion is negative but important: the existence of any of the potential sources of market failure is not, in itself, a prima facie case for government intervention. Thus we must reject the simplistic statements of many planning and other government documents which argue that the obvious presence of externalities, public goods, etc. in land and housing markets is an automatic justification for government intervention. The case for intervention on efficiency grounds must be made on the basis of cost-benefit calculations (including, of course, the direct and indirect costs of intervention)." (Pg. 30)

"When there are inefficient development controls, the planning authority or city government and the development industry may perceive the mutual advantage to moving to a system of more efficient controls, and an important vehicle for attaining this solution could be the use of financial levies or subsidies by the local authority. For example, to the extent that new development imposes external costs on the existing residents of a locality, on efficiency grounds new-comers should be taxed in excess of the marginal costs of providing services to them and one convenient indirect method of imposing such a tax is to impose financial levies or other requirements on developers. Thus, rather than have the province set guidelines on the requirements municipalities are able to enact, again we would suggest that a more sensible policy would be the provision of a forum for appeal, in which both efficiency and equity implications are fully considered in the adjudication of appeals." (Pg. 61)

"The implication of this situation is that any savings of fruitland which will result from provincial intervention could be at least two decades away, and hence will be contingent upon maintaining the 1977 boundaries intact for a long time. Of course, if people believe that the 1977 boundaries will not be relaxed as the vacant land is developed, then even in the short run the price mechanism may lead to denser development within the urban area boundaries that would otherwise have occurred, i.e., the restriction on the supply of developable land could lead to higher expected future urban land rents and hence higher land prices and higher density of development. However, it is questionable whether people will expect the boundaries to remain intact indefinitely. For example, there is evidence in the case of the Niagara Escarpment that governments are unwilling to turn away developers who promise jobs in order to achieve government land use objectives." (Pg. 106)

"We have argued that although government intervention to influence the aggregate rate of agricultural land conversion and/or the spatial pattern of rural development might be justified in some cases by careful benefit-cost analysis or equity considerations, casual references to externalities in rural areas, public goods characteristics of agricultural land, or differences between private and social discount rates do not in themselves justify government intervention. Adoption of any general provincial land use guidelines or controls should be preceded by explicit consideration of benefits and costs and their distributions. Moreover, there should be provision for waiving any general restrictions in specific cases on the basis, among other things, of benefit-cost comparisons." (Pg. 125)

"A review of the extent to which the provincial government implemented the TCR plan during the eight years following its adoption suggests that, contrary to the goals of the plan, the distribution of population and employment within the region at present is not very different from what it would have been in the absence of the provincial regional planning and development program. More important, little has been done which would suggest that these programs would have a significant effect on the distribution of economic activity in the year 2001. Few of the actions which would have been required to achieve the TCR goals were taken, and a number of actions which were taken conflicted with the goals." (Pg.161)

